

CITY OF NORTH LIBERTY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

# CITY OF NORTH LIBERTY

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# CITY OF NORTH LIBERTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Mayor and Council</u></b>		
(Before January 2006)		
Clair Mekota (*)	Mayor	January 2006
Matthew Bahl	Mayor Pro Tem	January 2008
Robert Gardiner	Council Member	January 2006
Tom Salm	Council Member	January 2008
James Moody	Council Member	January 2008
David Franker	Council Member	January 2006
(After December 2005)		
David Franker	Mayor	January 2010
Matthew Bahl	Mayor Pro Tem	January 2008
Tom Salm	Council Member	January 2008
James Moody	Council Member	January 2008
Gerald Kuhl	Council Member	January 2010
James Wozniak	Council Member	January 2010
<b><u>City Staff</u></b>		
Debra Hilton	Treasurer	
Mary Kae Mitchell	City Clerk/Assistant City Administrator (through October 7, 2005)	
Tracey Mulcahey	City Clerk/Assistant City Administrator (since October 10, 2005)	
William Sueppel	City Attorney	
Brian James	City Administrator	

(\*) Clair Mekota resigned as Mayor effective September 19, 2005.





**Greenwood and Crim, P.C.**  
Certified Public Accountants

Linda Crim Hopkins, C.P.A.  
Steven J. Kuhl, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of North Liberty, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of North Liberty's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted accounting standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006 on our consideration of the City of North Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Management's Discussion and Analysis (pages iv through x) and budgetary comparison information (pages 15-16) are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Liberty's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Greenwood and Crim, P.C.*

December 15, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of North Liberty provides this overview and analysis of its financial statements for the fiscal year ending June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

### FY2006 Financial Highlights

Revenues of the City's governmental activities increased approximately \$542,457 or 8.27% from FY2005 to FY2006. Major revenue increases include:

	<u>Increase in FY2006 from FY2005</u>	
Property taxes	\$322,134	(20.35%)
Tax increment financing	\$243,761	(21.84%)
Interest on investments	\$ 64,121	(126.41%)
Trash and recyclables	\$ 29,969	(16.24%)
Swimming pool revenue	\$ 30,782	(13.23%)

The City's total cash basis net assets increased \$891,481, or approximately 31.12%, from June 30, 2005 to June 30, 2006. Of this amount, the net assets of the governmental activities increased by \$271,335 and the net assets of the business type activities increased by \$620,146.

### Using This Annual Report

The annual report consists of a series of financial statements and other information that includes:

*Management's Discussion and Analysis* introduces the basic financial statements for the City of North Liberty and provides an analytical overview of the City's financial activities.

The *Government-wide Financial Statement* consists of a Statement of Activities and Net Assets—Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

*Notes to Financial Statements* provide additional information essential for a full understanding of the data provided in the basic financial statements.

*Required Supplementary Information* further explains and supports the financial statements with a comparison of the City's budget for the year.

*Other Supplementary Information* provides detailed information about the major and non-major governmental and proprietary funds. In addition, detailed information about the City's indebtedness is also provided.



## **Basis of Accounting**

The City of North Liberty maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **Government-wide Financial Statement**

The government-wide financial statement is designed to provide a broad overview of the City of North Liberty's finances.

The Statement of Activities and Net Assets—Cash Basis presents the City's cash basis net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of the City's financial condition. The Statement of Activities and Net Assets—Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects.
- Business Type Activities include the water, sanitary sewer and storm sewer utilities and utility deposits. These activities are financed by user charges.

## **Fund Financial Statements**

The City of North Liberty has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Funds, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's enterprise funds. Enterprise funds are used to report business type activities. The City maintains two major enterprise funds to provide separate information on the water and sanitary sewer utility funds and two non-major enterprise funds to provide information on the utility deposits fund and the storm water utility fund.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

### Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately 15% from a year ago, from \$1,825,847 at June 30, 2005 to \$2,097,182 at June 30, 2006. The analysis that follows provides detail on the changes in cash balance.

Changes in Cash Basis Net Assets of Government Activities		
	<u>FY2005</u>	<u>FY2006</u>
<u>Receipts and Transfers</u>		
Program Receipts		
Charges for service	\$1,867,202	\$2,019,494
Operating grants, contributions & restricted interest	811,722	780,613
Capital grants, contributions & restricted interest	1,004,283	790,454
General Receipts		
Property tax & tax increment financing	2,753,588	3,314,280
Grants & contributions, not restricted	1,686	270
Unrestricted investment earnings	44,179	114,845
Other general receipts	<u>75,605</u>	<u>80,766</u>
Total Operating Receipts	\$6,558,265	\$7,100,722
Bond proceeds	1,552,032	4,724,063
Transfers, net	<u>343,842</u>	<u>324,996</u>
Total Receipts and Transfers	<u>\$8,454,139</u>	<u>\$12,149,781</u>
<u>Disbursements</u>		
Public Safety	\$752,220	\$881,885
Public Works	636,329	1,025,863
Health & Social Services	21,000	34,500
Culture & Recreation	1,650,909	1,680,594
Community & Economic Development	249,352	325,306
General Government	452,215	541,943
Debt Service	1,636,989	2,877,794
Capital Projects	<u>2,669,922</u>	<u>4,510,561</u>
Total Disbursements	<u>\$8,068,936</u>	<u>\$11,878,446</u>



Increase in cash basis net assets	\$385,203	\$271,335
Cash basis net assets, beginning of year	<u>1,440,644</u>	<u>1,825,847</u>
Cash basis net assets, end of year	\$1,825,847	\$2,097,182

Because of the growth in taxable valuation in the City of North Liberty from \$150,151,503 in FY2005 to \$180,748,571 in FY2006, general property tax revenues increased by \$267,134 even though the City's general city tax levy remained at the maximum \$8.10 per \$1,000 of taxable valuation. The total city levy decreased to \$10.15516 in FY2006, from the levy of \$10.25 in FY2005. The balance of the levy was made up of a \$1.39955 debt service levy and a \$0.65561 employee benefits levy.

The major portion of the increase in the City's gross receipts from governmental activities in FY2006 was from property taxes (\$322,134), tax increment financing (\$243,761), interest on investments (\$64,121), trash and recyclables (\$29,969) and swimming pool revenues (\$30,782).

The cost of all governmental activities this year was \$11,878,446, compared to \$8,068,936 last year. More capital projects were funded in FY2006.

Changes in Cash Basis Net Assets of Business Type Activities		
	<u>FY2005</u>	<u>FY2006</u>
<u>Receipts</u>		
Charges for Service		
Water	\$1,089,834	\$1,268,659
Sanitary Sewer	1,046,270	1,221,053
Storm Water	92,038	105,092
Utility Deposits	65,358	73,045
General Receipts		
Unrestricted interest on investments:		
Water	6,151	5,322
Sanitary Sewer	5,885	4,999
Bond and note proceeds	<u>577,626</u>	<u>1,245,918</u>
Total Receipts	<u>\$2,883,162</u>	<u>\$3,924,088</u>
<u>Disbursements and Transfers</u>		
Operating Disbursements		
Water	\$696,095	\$861,230
Sanitary Sewer	1,067,810	1,507,720
Storm Water	26,511	28,110
Utility Deposits	35,160	42,279
Debt Service		
Water	211,714	202,858
Sanitary Sewer	384,883	336,749



Net Operating Transfers		
Water	120,940	164,996
Sanitary Sewer	162,000	135,000
Storm Water	<u>60,902</u>	<u>25,000</u>
Total Disbursements and Transfers	<u>\$2,766,015</u>	<u>\$3,303,942</u>
Increase in cash basis net assets	\$117,147	\$620,146
Cash basis net assets, beginning of year	<u>921,328</u>	<u>1,038,475</u>
Cash basis net assets, end of year	\$1,038,475	\$1,658,621

Total business type activities receipts for fiscal year 2006 were \$3,924,088, compared to \$2,883,162 last year. The \$1,040,926 increase was additional water, sanitary sewer and storm water operating revenues and bond proceeds.

The major disbursement increases include increased costs for utility services, other increased expenses due to increased usage and pumpage, and capital projects at the water and wastewater plants.

#### **Individual Major Governmental Fund Analysis**

At the end of FY2006, the combined fund balance of the City of North Liberty's governmental funds was \$2,097,182, an increase of \$271,335 over the previous year balance of \$1,825,847. Highlights of the increases in the major funds of the governmental type activities follow.

General Fund. General Fund property taxes increased from \$1,192,508 in FY2005 to \$1,469,630 in FY2006. The increase resulted in an increase of over \$30,000,000 in taxable valuation. The general fund levy remained at \$8.10 per \$1,000 of taxable valuation. Other General Fund revenue increases include swimming pool revenues, interest on cash investments, and garbage and recycling increases. In FY2006, an additional officer was added to the police department, an additional staff person was added in the Parks Department, an Assistant to the City Administrator/Personnel position was created, and departments saw increases in utility and supply costs.

Urban Renewal Tax Increment Fund. Incremental taxes in the Urban Renewal areas increased with the growth in the Tax Increment districts. The taxes collected increased by \$243,761 from the FY2005 amount.

Debt Service Fund. The debt service levy decreased from \$1.49325 per \$1,000 of taxable valuation in FY2005 to \$1.39955 in FY2006 because of the increase in property valuations city-wide. A wider tax base allows for a lower debt service rate.

## Individual Major Business Type Fund Analysis

Water Enterprise. The Water Fund cash balance at the end of FY2006 was comparable to the balance at the end of FY2005. The balance at the end of FY2006 was \$547,766, which includes a debt service reserve of \$373,922.

Sewer Enterprise. The Sanitary Sewer Fund cash balance increased by \$492,501 from the end of FY2005 to the end of FY2006. Total cash balance of \$844,233 includes a debt service reserve of \$469,351. The debt service reserve requirement increased with the addition of new sewer revenue bonds issued this year.

## Budgetary Highlights

The FY2006 budget was amended on May 23, 2006. Additional revenues from building permit fees, state seat belt and alcohol grants, salvage inspection fees, recreation fees, tape/CD copies, garbage/recycling fees, engineering inspections, excess water utility receipts, zoning and subdivision fees, development fees, additional donations, bond funds received and dividends offset the costs of police equipment, additional building inspections, fire department physicals, increase in utility costs, additional salary expenses, additional travel expenses, the final aquatic center payment, street projects, additional programming, and additional capital projects in the utilities.

## Debt Administration

On June 30, 2006 the City had \$21,472,000 in bonds and long-term debt compared to \$18,087,626 last year, as shown below.

Outstanding Debt at Year-End		
	June 30, 2005	June 30, 2006
General Obligation Bonds and Notes	\$11,894,000	\$14,300,000
Special Assessment Notes	55,000	44,000
Revenue Notes	617,626	20,000
Revenue Bonds	<u>5,521,000</u>	<u>7,108,000</u>
Total	\$18,087,626	\$21,472,000

Debt increased as a result of issuing \$1,860,000 in sewer revenue bonds and \$3,500,000 in Urban Renewal Bonds.

The City of North Liberty continues to carry a Moody's bond rating of A3 which reflects favorably on the economic condition of the city. The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and special assessment debt of \$14,344,000 is below its constitutional debt limit of \$19,481,541.



### **Economic Factors and Next Year's Budgets and Rates**

The total tax levy for the FY2007 budget for the City of North Liberty decreased to \$10.12023, approximately \$0.03 less per \$1,000 from last year. The rollback for residential property changed from 47.9642% in FY2006 to 45.9960% in FY2007. Even with the increase in rollback and the proposed decrease in the city tax levy to \$10.12023 per \$1,000, the total property taxes expected to be received by the City in FY2007 will increase by approximately \$549,000 due to increased valuation.

### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tracey Mulcahey, City Clerk, 5 East Cherry Street, P.O. Box 77, North Liberty, IA 52317.



## BASIC FINANCIAL STATEMENTS

# CITY OF NORTH LIBERTY

## Statement of Activities and Net Assets - Cash Basis (Page 1 of 2)

Year Ended June 30, 2006

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 881,885	\$ 56,442	\$ 109,509	\$ 35,893
Public works	1,025,863	588,678	605,105	-
Health and social services	34,500	-	-	-
Culture and recreation	1,680,594	533,374	58,499	18,095
Community and economic development	325,306	14,777	7,500	7,000
General government	541,943	826,223	-	-
Debt service	2,877,794	-	-	-
Capital projects	4,510,561	-	-	729,466
Total governmental activities	\$ 11,878,446	\$ 2,019,494	\$ 780,613	\$ 790,454
Business type activities:				
Water	\$ 1,064,088	\$ 1,268,659	\$ -	\$ -
Sewer	1,844,469	1,221,053	-	-
Utility deposits	42,279	73,045	-	-
Stormwater management	28,110	105,092	-	-
Total business type activities	\$ 2,978,946	\$ 2,667,849	\$ -	\$ -
Total	\$ 14,857,392	\$ 4,687,343	\$ 780,613	\$ 790,454
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Other purposes				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond and note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				

Exhibit A

Governmental Activities	Business Type Activities	Total
\$ (680,041)	\$ -	\$ (680,041)
167,920	-	167,920
(34,500)	-	(34,500)
(1,070,626)	-	(1,070,626)
(296,029)	-	(296,029)
284,280	-	284,280
(2,877,794)	-	(2,877,794)
(3,781,095)	-	(3,781,095)
<hr/>		
\$ (8,287,885)	\$ -	\$ (8,287,885)
<hr/>		
\$ -	\$ 204,571	\$ 204,571
-	(623,416)	(623,416)
-	30,766	30,766
-	76,982	76,982
<hr/>		
\$ -	\$ (311,097)	\$ (311,097)
<hr/>		
\$ (8,287,885)	\$ (311,097)	\$ (8,598,982)
<hr/>		
\$ 1,509,387	\$ -	\$ 1,509,387
1,360,008	-	1,360,008
321,687	-	321,687
123,198	-	123,198
<hr/>		
270	-	270
114,845	10,321	125,166
4,724,063	1,245,918	5,969,981
80,766	-	80,766
<hr/>		
324,996	(324,996)	-
<hr/>		
\$ 8,559,220	\$ 931,243	\$ 9,490,463
<hr/>		



CITY OF NORTH LIBERTY

Statement of Activities and Net Assets - Cash Basis  
(Page 2 of 2)

Year Ended June 30, 2006

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets

Urban renewal purposes

Drug task force

Debt service

Unrestricted

Total cash basis net assets

See accompanying notes to financial statements.

Exhibit A

Governmental Activities	Business Type Activities	Total
\$ 271,335	\$ 620,146	\$ 891,481
1,825,847	1,038,475	2,864,322
\$ 2,097,182	\$ 1,658,621	\$ 3,755,803
(Exhibit B)	(Exhibit C)	
\$ 196,104	\$ -	\$ 196,104
13,283	-	13,283
58,683	-	58,683
(445,073)	843,273	398,200
2,274,185	815,348	3,089,533
\$ 2,097,182	\$ 1,658,621	\$ 3,755,803

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Governmental Funds

Year Ended June 30, 2006

	General Fund	Special Revenue - Urban Renewal Tax Increment	Debt Service - General Obligation Debt
Receipts:			
Property tax	\$ 1,469,630	\$ -	\$ 315,184
Tax increment financing	-	1,360,008	-
Other city tax	125,989	-	6,503
Licenses and permits	625,439	-	-
Use of money and property	173,931	-	-
Intergovernmental	199,681	-	-
Charges for service	1,076,875	-	-
Special assessments	-	-	-
Miscellaneous	153,161	-	-
Total receipts	\$ 3,824,706	\$ 1,360,008	\$ 321,687
Disbursements:			
Public safety	\$ 880,887	\$ -	\$ -
Public works	583,763	-	-
Health and social services	34,500	-	-
Culture and recreation	1,680,594	-	-
Community and economic development	325,306	-	-
General government	541,943	-	-
Debt service	-	-	2,863,964
Capital projects	-	-	-
Total disbursements	\$ 4,046,993	\$ -	\$ 2,863,964
Excess (deficiency) of receipts over (under) disbursements	\$ (222,287)	\$ 1,360,008	\$ (2,542,277)
Other financing sources (uses):			
Proceeds from sales of general obligation bonds	\$ 325,000	\$ -	\$ 714,958
Operating transfers in	781,182	-	1,383,610
Operating transfers (out)	(267,686)	(1,423,610)	(5,626)
Total other financing sources (uses)	\$ 838,496	\$ (1,423,610)	\$ 2,092,942
Net change in cash balances	\$ 616,209	\$ (63,602)	\$ (449,335)
Cash and cash investments, beginning of year	1,661,403	76,885	4,262
Cash and cash investments, end of year	\$ 2,277,612	\$ 13,283	\$ (445,073)
Cash basis fund balances:			
Reserved -			
Debt service fund	\$ -	\$ -	\$ (445,073)
Unreserved -			
Special revenue fund	-	13,283	-
Capital projects funds	-	-	-
General fund	2,277,612	-	-
Total cash basis fund balances	\$ 2,277,612	\$ 13,283	\$ (445,073)

See accompanying notes to financial statements.



Exhibit B

Capital Projects - Liberty Centre	Other Nonmajor Governmental Funds	Total
\$ -	\$ 120,294	\$ 1,905,108
-	-	1,360,008
-	2,904	135,396
-	-	625,439
-	30,716	204,647
357,693	737,268	1,294,642
-	71,123	1,147,998
-	34,617	34,617
1,000	238,706	392,867
<hr/>	<hr/>	<hr/>
\$ 358,693	\$ 1,235,628	\$ 7,100,722
<hr/>	<hr/>	<hr/>
\$ -	\$ 998	\$ 881,885
-	442,100	1,025,863
-	-	34,500
-	-	1,680,594
-	-	325,306
-	-	541,943
-	13,830	2,877,794
2,513,121	1,997,440	4,510,561
<hr/>	<hr/>	<hr/>
\$ 2,513,121	\$ 2,454,368	\$ 11,878,446
<hr/>	<hr/>	<hr/>
\$ (2,154,428)	\$ (1,218,740)	\$ (4,777,724)
<hr/>	<hr/>	<hr/>
\$ 2,344,105	\$ 1,340,000	\$ 4,724,063
-	45,626	2,210,418
-	(188,500)	(1,885,422)
<hr/>	<hr/>	<hr/>
\$ 2,344,105	\$ 1,197,126	\$ 5,049,059
<hr/>	<hr/>	<hr/>
\$ 189,677	\$ (21,614)	\$ 271,335
(249,840)	333,137	1,825,847
<hr/>	<hr/>	<hr/>
\$ (60,163)	\$ 311,523	\$ 2,097,182
<hr/>	<hr/>	<hr/>
(Exhibit A)		
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ (445,073)
-	259,485	272,768
(60,163)	52,038	(8,125)
-	-	2,277,612
<hr/>	<hr/>	<hr/>
\$ (60,163)	\$ 311,523	\$ 2,097,182
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Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Proprietary Funds

Year Ended June 30, 2006

	Water Enterprise	Sewer Enterprise	Other Nonmajor Enterprise Funds	Total
Operating receipts:				
Charges for service	\$ 1,247,859	\$ 1,220,053	\$ 105,092	\$ 2,573,004
Miscellaneous	20,800	1,000	73,045	94,845
Total operating receipts	\$ 1,268,659	\$ 1,221,053	\$ 178,137	\$ 2,667,849
Operating disbursements:				
Business type activities	861,230	1,507,720	70,389	2,439,339
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 407,429	\$ (286,667)	\$ 107,748	\$ 228,510
Non-operating receipts and (disbursements):				
Interest on cash investments	\$ 5,322	\$ 4,999	\$ -	\$ 10,321
Proceeds from sale of revenue bonds	-	1,123,544	-	1,123,544
Proceeds from sale of revenue anticipation notes	-	122,374	-	122,374
Debt service	(202,858)	(336,749)	-	(539,607)
Total non-operating receipts and (disbursements)	\$ (197,536)	\$ 914,168	\$ -	\$ 716,632
Excess of receipts over disbursements	\$ 209,893	\$ 627,501	\$ 107,748	\$ 945,142
Operating transfers:				
Operating transfers in	\$ 432,563	\$ 526,776	\$ -	\$ 959,339
Operating transfers (out)	(597,559)	(661,776)	(25,000)	(1,284,335)
Net operating transfers	\$ (164,996)	\$ (135,000)	\$ (25,000)	\$ (324,996)
Net change in cash balances	\$ 44,897	\$ 492,501	\$ 82,748	\$ 620,146
Cash and cash investments, beginning of year	502,869	351,732	183,874	1,038,475
Cash and cash investments, end of year	\$ 547,766	\$ 844,233	\$ 266,622	\$ 1,658,621
				(Exhibit A)
Cash basis fund balances:				
Reserved - debt service	\$ 373,922	\$ 469,351	\$ -	\$ 843,273
Unreserved:				
Capital projects	(113,124)	(17,564)	-	(130,688)
Unreserved	286,968	392,446	266,622	946,036
Total cash basis fund balances	\$ 547,766	\$ 844,233	\$ 266,622	\$ 1,658,621

See accompanying notes to financial statements.



# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Liberty is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1913 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, utilities for its citizens, community and economic development, and general government services.

#### A. Reporting Entity and Jointly Governed Organizations

For financial reporting purposes, the City of North Liberty has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits or impose specific financial burdens on the City. The City of North Liberty has no component units which meet the Governmental Accounting Standards Board criteria.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is not ongoing financial interest or responsibility by the participating governments. The City and its officials are members of various jointly governed organizations, including the Johnson County Assessors Conference Board, Johnson County Joint E911 Service Board, Johnson County Council of Governments, East Central Iowa Council of Governments, and the Johnson County Compensation Board.

#### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.



# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

#### Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

#### Debt Service:

The Debt Service Fund - General Obligation Debt is utilized to account for the payment of interest and principal on the City's general long-term debt.

#### Capital Projects:

The Capital Projects - Liberty Centre Fund is used to account for the costs of this significant local project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the debt service function.

### NOTE 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks and credit unions at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

On December 14, 2004, the City authorized the transfer of \$5,000 to the Community Foundation of Johnson County (Foundation) to establish an endowment fund for the North Liberty Community Library. The Foundation may make distributions to the City in accordance with the Foundation's spending policy of the year as determined annually by the Foundation's Board of Directors.

The City's investment is pooled in the investment portfolio of the Foundation and is covered by a pool of U.S. governmental bonds.

The City's investment of \$5,000 may be returned in full to the City upon request to the Foundation's Board of Directors.

The City's investment of \$5,000 is carried at cost and is included in the City's amount of cash and cash investments at June 30, 2006. No adjustment for any change in the fair value of the City's investment has been made. The investment is subject to the overall increases and decreases in fair values of the Foundation's investment portfolio.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days but the maturities shall be consistent with the needs and uses of the City.



**CITY OF NORTH LIBERTY**

Notes to Financial Statements

June 30, 2006

**NOTE 3. BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation notes and bonds, special assessment notes and revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds		Special Assessment Notes	
	Principal	Interest	Principal	Interest
2007	\$ 1,466,000	\$ 550,245	\$ 11,000	\$ 2,266
2008	1,633,000	495,751	11,000	1,700
2009	1,755,000	433,786	11,000	1,133
2010	1,772,000	366,009	11,000	566
2011	1,444,000	295,454	-	-
2012-2016	4,247,000	821,108	-	-
2017-2021	1,358,000	310,719	-	-
2022-2026	625,000	42,600	-	-
Total	<u>\$ 14,300,000</u>	<u>\$ 3,315,672</u>	<u>\$ 44,000</u>	<u>\$ 5,665</u>

Year Ending June 30,	Enterprise Fund Revenue Notes and Bonds		Total	
	Principal	Interest	Principal	Interest
2007	\$ 354,000	\$ 311,079	\$ 1,831,000	\$ 863,590
2008	367,000	287,683	2,011,000	785,134
2009	379,000	273,688	2,145,000	708,607
2010	402,000	258,919	2,185,000	625,494
2011	415,000	243,056	1,859,000	538,510
2012-2016	2,350,000	935,234	6,597,000	1,756,342
2017-2021	2,326,000	397,030	3,684,000	707,749
2022-2026	535,000	61,685	1,160,000	104,285
Total	<u>\$ 7,128,000</u>	<u>\$ 2,768,374</u>	<u>\$ 21,472,000</u>	<u>\$ 6,089,711</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$13,524 of general obligation bond interest was paid from the Sewer Enterprise Fund. Also, during the year, \$6,486 of water revenue bond interest was charged to the Debt Service Fund.



**CITY OF NORTH LIBERTY**

**Notes to Financial Statements**

June 30, 2006

**NOTE 3. BONDS AND NOTES PAYABLE (Continued)**

The resolutions providing for the issuance of the enterprise fund revenue notes and bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate sewer and water revenue sinking accounts for the purpose of making the principal and interest payments when due.
- (c) An amount must be set aside into the Water Reserve Fund equal to the maximum amount of principal and interest of all water revenue bonds coming due in any year, and must be maintained until the water revenue bonds have been fully redeemed. The amount required to be set aside is \$221,630.

An amount must be set aside into the Sewer Reserve Fund equal to the lesser of (i) the maximum amount of principal and interest of the 2006 sewer revenue bonds coming due in any year, (ii) 125% of the average amount of principal and interest of the 2006 sewer revenue bonds coming due in any year, or (iii) 10% of the issue amount of the 2006 sewer revenue bonds. This amount must be maintained until the sewer revenue bonds have been fully redeemed. The amount required to be set aside is \$151,598.

- (d) All funds remaining in the sewer rental and water utilities accounts after the payments of all maintenance and operating expenses and required transfers shall be placed in separate water and sewer revenue surplus accounts. These accounts are restricted for the purpose of paying any deficiency in the sinking funds. As long as the sinking funds have the full amount required to be deposited, any balance in the surplus funds may be made available to the City as the Council may from time to time direct.

**NOTE 4. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$115,399, \$97,152 and \$84,024, respectively, equal to the required contributions for each year.

**CITY OF NORTH LIBERTY**

**Notes to Financial Statements**

June 30, 2006

**NOTE 5. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon retirement, termination or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 28,532
Vacation	91,922
Total	<u>\$ 120,454</u>

This liability has been computed based on rates of pay as of June 30, 2006.

Sick leave is payable when used. It is not paid upon termination, retirement or death. The approximate liability for unused sick leave at June 30, 2006, based on rates of pay as of June 30, 2006, is \$285,974.

**NOTE 6. SOLID WASTE DISPOSAL CONTRACT**

An agreement between the City and Johnson County Refuse for the period July 1, 2004 through June 30, 2009, provides the City and its citizens with solid waste collection and disposal services. The agreement providing for the services includes the following provisions:

- (a) The City shall pay the contractor a monthly charge of \$3.75 per month for each single and two-family dwelling unit. These fees are for recyclables.
- (b) The fees for non-recyclable wastes are based on the current Iowa City Landfill tipping fee schedule and are subject to change in the event landfill fees increase or decrease.

**NOTE 7. POLICE PROTECTION CONTRACT**

An agreement dated February 13, 1979, between the City and the Johnson County Sheriff's office, provides the City and its citizens with police protection services totaling approximately thirty-four hours per week and dispatch services. The agreement providing for these services includes the following provisions:

- (a) Effective July 1, 2003, the City will pay Johnson County at a rate of \$100,000 per year payable in monthly installments of \$8,333.33.
- (b) Agreement to become effective July 1, 1979, and continue until terminated.
- (c) Agreement shall be modified, on or before January of any given year, to adjust hourly rates should this be necessary.
- (d) This agreement gives the Johnson County Sheriff's office an exclusive policing right which may be terminated upon thirty days notice.



# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2006

### NOTE 8. CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$8,000,000. The unpaid contract balances at June 30, 2006 totaled approximately \$3,900,000, which will be paid as work on the projects progresses.

### NOTE 9. RISK MANAGEMENT

The City of North Liberty is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 10. DEFICIT BALANCES

The deficit balance in the Debt Service Fund arose because the payment of the outstanding principal and interest of the General Obligation Loan Agreement Anticipation note was charged to the Debt Service Fund and there was no transfer from the proceeds of the November 2005 general obligation bond sale to cover the amount paid. Also, there was no levy of property taxes to cover the June 1, 2006 payment of principal and interest on the November 2005 general obligation bond.

The following funds had deficit balances at June 30, 2006, because the project costs were incurred prior to availability of funds:

Capital Projects - Community Center	\$ 95,398
Capital Projects - TIF Projects	119,042
Capital Projects - Liberty Centre	60,163
Capital Projects - Trail Projects	90,257
Capital Projects - Land and Facilities	171,238
Capital Projects - Economic Development Projects	211,387
Capital Projects - Penn St. Improvements	122,879
Water Enterprise - Water Capital Projects	113,124
Sewer Enterprise - Sewer Capital Projects	17,564

The deficit balance in the TIF Projects capital project fund arose because the City was required to reimburse \$99,332 to the State during the year ended June 30, 2004 due to Rudi's Bakery not creating the required minimum number of new jobs under two RISE grants. The City has been pursuing collection of this amount from Rudi's Bakery, but does not anticipate any significant collection.

Deficit balances in the other funds noted above arose because construction costs were incurred prior to the availability of funds. These deficits will be eliminated with contributions from the general public, developer contributions, proceeds from sales of bonds, grants, and future tax increment financing collections.

### NOTE 11. SUBSEQUENT EVENTS

The City sold the following bonds and notes for community development projects:

- \$550,000 SRF loan for wastewater treatment plant improvement planning and design.
- \$570,000 general obligation bond for fire truck, fire truck equipment and park equipment.
- \$1,670,000 water revenue bonds for new water tower.

The City approved four construction contracts totaling approximately \$565,000.



CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2006

NOTE 12. INTERFUND AND INTRAFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Enterprise - Water Operating	\$ 144,996
	Sewer Enterprise - Sewer Operating	135,000
	Special Revenue - Employee Benefits	118,500
		<u>\$ 398,496</u>
General Fund - Equipment Revolving	Special Revenue - Road Use Tax	\$ 70,000
	Water Enterprise - Water Operating	20,000
	Stormwater Management Enterprise	25,000
		<u>\$ 115,000</u>
Debt Service Fund - General Obligation Debt	Special Revenue - Urban Renewal Tax Increment	\$ 1,383,610
Capital Projects - Economic Development Projects	Special Revenue - Urban Renewal Tax Increment	\$ 40,000
		<u>\$ 1,937,106</u>

The detail of intrafund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund - Recreation Equipment	General Fund	\$ 80,000
General Fund - Park Development	General Fund	\$ 58,900
General Fund - Fire Equipment Reserve	General Fund	\$ 79,286
General Fund - Equipment Revolving	General Fund	\$ 49,500
Debt Service - Special Assessments	Debt Service - General Obligation Debt	\$ 5,626

# CITY OF NORTH LIBERTY

## Notes to Financial Statements

June 30, 2006

### NOTE 12. INTERFUND AND INTRAFUND TRANSFERS (Continued)

Water Enterprise - Water Utilities - Capital Reserve	Water Enterprise - Water Operating	\$ 69,815
Water Enterprise - Water Revenue Sinking	Water Enterprise - Water Operating	\$ 317,748
Water Enterprise - Water Utilities - Water Capital Projects	Water Enterprise - Water Utilities - Capital Reserve	\$ 45,000
Sewer Enterprise - Sewer Revenue Sinking	Sewer Enterprise - Sewer Operating	\$ 504,276
Sewer Enterprise - Sewer Rental - Capital Reserve	Sewer Enterprise - Sewer Operating	\$ 22,500
		<u>\$ 1,232,651</u>

Total transfers during the year ended June 30, 2006 were as follows:

Interfund transfers	\$ 1,937,106
Intrafund transfers	<u>1,232,651</u>
	<u>\$ 3,169,757</u>

Reconciliation to the financial statements:

	Transfers In	Transfers Out
Governmental funds (Exhibit B)	\$ 2,210,418	\$ 1,885,422
Proprietary funds (Exhibit C)	<u>959,339</u>	<u>1,284,335</u>
	<u>\$ 3,169,757</u>	<u>\$ 3,169,757</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources, move resources to facilitate the payment of principal and interest on bonds and notes payable, and move resources for the acquisition of major equipment purchases and capital projects.

CITY OF NORTH LIBERTY

Notes to Financial Statements

June 30, 2006

**NOTE 13. LITIGATION**

The City has filed a lawsuit against Rudi's Bakery to recover \$99,332 paid by the City during the year ended June 30, 2004 to the state due to Rudi's Bakery not creating the required minimum number of new jobs under the provisions of two RISE grants. The City does not believe it will prevail because there appears to be an insufficient amount of assets held by Rudi's Bakery to satisfy this claim.

In August 2005, a lawsuit was filed against the City and the chief of police claiming negligence in a law enforcement matter that occurred in August 2003. It is unknown what the outcome of this litigation may be, however, the City does not expect any potential loss to be in excess of insurance coverage limits.

In December 2005, a lawsuit was filed against the City by a developer concerning a proposed subdivision in the City. It is unknown what the outcome of this litigation may be, however, the City believes it has meritorious defenses in this case. The City does not expect any potential loss to be in excess of insurance coverage limits.



## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF NORTH LIBERTY

## Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

### Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 1,905,108	\$ -	\$ 1,905,108
Tax increment financing	1,360,008	-	1,360,008
Other city tax	135,396	-	135,396
Licenses and permits	625,439	-	625,439
Use of money and property	204,647	10,321	214,968
Intergovernmental	1,294,642	-	1,294,642
Charges for service	1,147,998	2,573,004	3,721,002
Special assessments	34,617	-	34,617
Miscellaneous	392,867	94,845	487,712
	<hr/>	<hr/>	<hr/>
Total receipts	\$ 7,100,722	\$ 2,678,170	\$ 9,778,892
	<hr/>	<hr/>	<hr/>
Disbursements:			
Public safety	\$ 881,885	\$ -	\$ 881,885
Public works	1,025,863	-	1,025,863
Health and social services	34,500	-	34,500
Culture and recreation	1,680,594	-	1,680,594
Community and economic development	325,306	-	325,306
General government	541,943	-	541,943
Debt service	2,877,794	-	2,877,794
Capital projects	4,510,561	-	4,510,561
Business type activities	-	2,978,946	2,978,946
	<hr/>	<hr/>	<hr/>
Total disbursements	\$ 11,878,446	\$ 2,978,946	\$ 14,857,392
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	\$ (4,777,724)	\$ (300,776)	\$ (5,078,500)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses), net	5,049,059	920,922	5,969,981
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 271,335	\$ 620,146	\$ 891,481
	<hr/>	<hr/>	<hr/>
Balances, beginning of year	1,825,847	1,038,475	2,864,322
	<hr/>	<hr/>	<hr/>
Balances, end of year	\$ 2,097,182	\$ 1,658,621	\$ 3,755,803
	<hr/>	<hr/>	<hr/>

There were no funds of the City not required to be budgeted during the year ended June 30, 2006.

See accompanying independent auditor's report and  
accompanying notes to required supplementary information.

Budgeted Amounts

<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 1,888,123	\$ 1,888,123	\$ 16,985
1,218,501	1,218,501	141,507
54,343	54,343	81,053
564,019	644,019	(18,580)
97,147	155,147	59,821
2,231,698	1,808,675	(514,033)
2,916,560	2,990,060	730,942
13,832	33,615	1,002
616,370	1,021,595	(533,883)
<u>\$ 9,600,593</u>	<u>\$ 9,814,078</u>	<u>\$ (35,186)</u>
\$ 966,470	\$ 1,004,220	\$ 122,335
907,249	1,044,156	18,293
34,500	34,500	-
1,825,811	1,867,239	186,645
487,347	338,493	13,187
474,739	552,437	10,494
1,795,481	1,795,481	(1,082,313)
5,123,015	6,140,641	1,630,080
4,446,281	4,032,601	1,053,655
<u>\$ 16,060,893</u>	<u>\$ 16,809,768</u>	<u>\$ 1,952,376</u>
\$ (6,460,300)	\$ (6,995,690)	\$ 1,917,190
<u>6,347,500</u>	<u>5,852,605</u>	<u>117,376</u>
\$ (112,800)	\$ (1,143,085)	\$ 2,034,566
<u>2,181,257</u>	<u>2,181,257</u>	<u>683,065</u>
<u>\$ 2,068,457</u>	<u>\$ 1,038,172</u>	<u>\$ 2,717,631</u>



## CITY OF NORTH LIBERTY

### Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements are required to be budgeted for all funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$748,875. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements in the debt service function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF NORTH LIBERTY**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Governmental Funds - General Fund  
(Page 1 of 3)  
Year Ended June 30, 2006

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Receipts:						
Property tax	\$ 1,469,630	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax:						
Mobile home tax	\$ 22,823	\$ -	\$ -	\$ -	\$ -	\$ -
Utility tax replacement excise tax	16,934	-	-	-	-	-
Utility franchise fees	86,232	-	-	-	-	-
	<u>\$ 125,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Licenses and permits:						
Beer and liquor	\$ 6,886	\$ -	\$ -	\$ -	\$ -	\$ -
Cigarette	750	-	-	-	-	-
Business/building trades	6,125	-	-	-	-	-
Pet and other	475	-	-	-	-	-
Building	611,203	-	-	-	-	-
	<u>\$ 625,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Use of money and property:						
Interest on cash investments	\$ 108,116	\$ -	\$ -	\$ -	\$ -	\$ -
Rent	65,802	-	-	-	-	-
	<u>\$ 173,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Intergovernmental:						
FEMA grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Police grants	8,073	-	-	-	-	-
Township fire protection	100,669	-	-	-	-	-
County library contribution	37,159	-	-	-	-	-
Library grants and open access	18,391	-	-	-	-	-
	<u>\$ 164,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charges for service:						
Inspection fees	\$ 43,791	\$ -	\$ -	\$ -	\$ -	\$ -
Library fees	10,850	-	-	-	-	-
Police service fees	753	-	-	-	-	-
Zoning and subdivision	50,365	-	-	-	-	-
Garbage and recycling fees	214,486	-	-	-	-	-
Recreation charges	467,465	-	-	-	-	-
Cemetery plot location fees	110	-	-	-	-	-
Animal control	1,308	-	-	-	-	-
Maps and photocopy fees	4,705	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Programming fees	-	-	-	-	4,000	-
	<u>\$ 793,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Miscellaneous:						
Refunds and reimbursements	\$ 3,312	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	16,725	-	-	-	-	-
Donations/contributions	1,356	8,000	7,200	1,363	7,000	7,500
Miscellaneous	13,294	-	-	17,118	-	10,777
Penalties	39,449	-	-	-	-	-
	<u>\$ 74,136</u>	<u>\$ 8,000</u>	<u>\$ 7,200</u>	<u>\$ 18,481</u>	<u>\$ 7,000</u>	<u>\$ 18,277</u>
Total receipts	<u>\$ 3,427,237</u>	<u>\$ 8,000</u>	<u>\$ 7,200</u>	<u>\$ 18,481</u>	<u>\$ 11,000</u>	<u>\$ 18,277</u>



Library			Impact Fees					
Library Building/ Endowment	TAG Group	Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Transportation	Storm Water	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,469,630
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	22,823
-	-	-	-	-	-	-	-	16,934
-	-	-	-	-	-	-	-	86,232
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	125,989
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,886
-	-	-	-	-	-	-	-	750
-	-	-	-	-	-	-	-	6,125
-	-	-	-	-	-	-	-	475
-	-	-	-	-	-	-	-	611,203
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	625,439
\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	108,129
-	-	-	-	-	-	-	-	65,002
\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	173,931
\$ -	\$ -	\$ -	\$ 34,693	\$ -	\$ -	\$ -	\$ -	34,693
-	-	-	-	-	696	-	-	8,769
-	-	-	-	-	-	-	-	100,689
-	-	-	-	-	-	-	-	37,159
-	-	-	-	-	-	-	-	18,391
\$ -	\$ -	\$ -	\$ 34,693	\$ -	\$ 696	\$ -	\$ -	199,691
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	43,791
-	-	-	-	-	-	-	-	10,850
-	-	-	-	-	10,590	-	-	11,343
-	-	-	-	-	-	-	-	50,365
-	-	-	-	-	-	-	-	214,486
-	-	-	-	-	-	-	-	467,465
-	-	-	-	-	-	-	-	110
-	-	-	-	-	-	-	-	1,308
-	-	-	-	-	-	-	-	4,705
-	-	-	-	-	-	268,452	-	268,452
-	-	-	-	-	-	-	-	4,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,590	\$ 268,452	\$ -	\$ 1,076,875
\$ -	\$ -	\$ -	\$ -	\$ 7,986	\$ -	\$ -	\$ -	11,298
-	-	-	-	-	-	-	-	16,725
-	500	2,895	500	-	700	-	-	37,014
-	3,940	-	-	3,546	-	-	-	48,675
-	-	-	-	-	-	-	-	39,449
\$ -	\$ 4,440	\$ 2,895	\$ 500	\$ 11,532	\$ 700	\$ -	\$ -	153,161
\$ -	\$ 4,453	\$ 2,895	\$ 35,193	\$ 11,532	\$ 11,986	\$ 268,452	\$ -	\$ 3,824,706

CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Governmental Funds - General Fund  
(Page 2 of 3)  
Year Ended June 30, 2006

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Disbursements:						
Public Safety:						
Police	\$ 465,895	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency management	2,067	-	-	-	-	-
Fire	128,109	-	-	-	-	-
Building inspections/safety	239,287	-	-	-	-	-
Animal control	762	-	-	-	-	-
Total public safety	\$ 836,120	\$ -	\$ -	\$ -	\$ -	\$ -
Public Works:						
Roads, bridges and sidewalks	\$ 10,202	\$ -	\$ -	\$ -	\$ -	\$ -
Traffic control and safety	16,087	-	-	-	-	-
Sanitation	208,144	-	-	-	-	-
Total public works	\$ 234,433	\$ -	\$ -	\$ -	\$ -	\$ -
Health and social services:						
Social services	\$ 34,500	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation:						
Library	\$ 343,097	\$ -	\$ -	\$ -	\$ -	\$ -
Parks	239,878	-	28,538	-	-	-
Recreation center	583,809	10,655	-	11,064	-	-
Aquatic center	447,684	-	-	-	-	-
Cemetery	5,148	-	-	-	-	-
Total culture and recreation	\$ 1,619,616	\$ 10,655	\$ 28,538	\$ 11,064	\$ -	\$ -
Community and economic development:						
Community beautification	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,822
Economic development	11,709	-	-	-	-	-
Planning and zoning	188,871	-	-	-	-	-
Telecommunications	104,018	-	-	-	10,886	-
Total community and economic development	\$ 304,598	\$ -	\$ -	\$ -	\$ 10,886	\$ 9,822





CITY OF NORTH LIBERTY

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Governmental Funds - General Fund  
(Page 3 of 3)  
Year Ended June 30, 2006

	General	Recreation Equipment	Park Development	Youth Sports Scholarship	Telecomm- unications Equipment	Tree Program
Disbursements: (continued)						
General government:						
Mayor and council	\$ 15,906	\$ -	\$ -	\$ -	\$ -	\$ -
City administration	449,619	-	-	-	-	-
Legal services	38,225	-	-	-	-	-
Other general government	23,220	-	-	-	-	-
Total general government	\$ 526,970	\$ -	\$ -	\$ -	\$ -	\$ -
Total disbursements	\$ 3,556,237	\$ 10,655	\$ 28,538	\$ 11,064	\$ 10,886	\$ 9,822
Excess (deficiency) of receipts over (under) disbursements	\$ (129,000)	\$ (2,655)	\$ (21,338)	\$ 7,417	\$ 114	\$ 8,455
Other financing sources (uses):						
Proceeds from sales of general obligation bonds	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Operating transfers in	398,496	80,000	58,900	-	-	-
Operating transfers (out)	(267,686)	-	-	-	-	-
Total other financing sources (uses)	\$ 130,810	\$ 80,000	\$ 158,900	\$ -	\$ -	\$ -
Net change in cash balances	\$ 1,810	\$ 77,345	\$ 137,562	\$ 7,417	\$ 114	\$ 8,455
Cash and cash investments, beginning of year	685,585	36,221	50,668	18,697	5,931	3,702
Cash and cash investments, end of year	\$ 687,395	\$ 113,566	\$ 188,230	\$ 26,114	\$ 6,045	\$ 12,157
Cash basis fund balances:						
Unreserved -						
General fund	\$ 687,395	\$ 113,566	\$ 188,230	\$ 26,114	\$ 6,045	\$ 12,157

See accompanying independent auditor's report.

Library								Impact Fees		Total
Library Building/Endowment	TAG Group	Library Reserve	Fire Equipment Reserve	Equipment Revolving	Police Equipment Reserve	Trans- portation	Storm Water			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	15,906
-	-	-	-	14,973	-	-	-	-	-	464,592
-	-	-	-	-	-	-	-	-	-	38,225
-	-	-	-	-	-	-	-	-	-	23,220
\$ -	\$ -	\$ -	\$ -	\$ 14,973	\$ -	\$ -	\$ -	\$ -	\$ -	541,943
\$ -	\$ 3,448	\$ 7,273	\$ 8,135	\$ 388,115	\$ 12,820	\$ -	\$ -	\$ -	\$ -	4,046,993
\$ -	\$ 1,005	\$ (4,378)	\$ 27,058	\$ (376,583)	\$ (834)	\$ 268,452	\$ -	\$ -	\$ -	(222,287)
\$ -	\$ -	\$ -	\$ -	\$ 225,000	\$ -	\$ -	\$ -	\$ -	\$ -	325,000
-	-	-	79,286	164,500	-	-	-	-	-	781,182
-	-	-	-	-	-	-	-	-	-	(267,686)
\$ -	\$ -	\$ -	\$ 79,286	\$ 389,500	\$ -	\$ -	\$ -	\$ -	\$ -	838,496
\$ -	\$ 1,005	\$ (4,378)	\$ 106,344	\$ 12,917	\$ (834)	\$ 268,452	\$ -	\$ -	\$ -	616,209
13,500	6,075	19,953	55,927	264,275	9,352	481,226	10,291			1,661,403
\$ 13,500	\$ 7,080	\$ 15,575	\$ 162,271	\$ 277,192	\$ 8,518	\$ 749,678	\$ 10,291	\$ -	\$ -	2,277,612
\$ 13,500	\$ 7,080	\$ 15,575	\$ 162,271	\$ 277,192	\$ 8,518	\$ 749,678	\$ 10,291	\$ -	\$ -	2,277,612

# CITY OF NORTH LIBERTY

## Statements of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds

Year Ended June 30, 2006

	Special Revenue		
	Road Use Tax	Employee Benefits	Drug Task Force
Receipts:			
Property tax	\$ -	\$ 120,294	\$ -
Other city tax	-	2,904	-
Use of money and property	-	-	-
Intergovernmental	605,105	-	71
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total receipts	\$ 605,105	\$ 123,198	\$ 71
Disbursements:			
Public safety	\$ -	\$ -	\$ 998
Public works	442,100	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	\$ 442,100	\$ -	\$ 998
Excess (deficiency) of receipts over (under) disbursements	\$ 163,005	\$ 123,198	\$ (927)
Other financing sources (uses):			
Proceeds from sales of general obligation bonds	\$ -	\$ -	\$ -
Operating transfers in	-	-	-
Operating transfers (out)	(70,000)	(118,500)	-
Total other financing sources (uses)	\$ (70,000)	\$ (118,500)	\$ -
Net change in cash balances	\$ 93,005	\$ 4,698	\$ (927)
Cash and cash investments, beginning of year	103,099	-	59,610
Cash and cash investments, end of year	\$ 196,104	\$ 4,698	\$ 58,683
Cash basis fund balances:			
Reserved -			
Debt service fund	\$ -	\$ -	\$ -
Unreserved -			
Special revenue funds	196,104	4,698	58,683
Capital projects funds	-	-	-
Total cash basis fund balances	\$ 196,104	\$ 4,698	\$ 58,683

See accompanying independent auditor's report.



Schedule 2

Debt Service - Special Assessments	Capital Projects	Total
\$ -	\$ -	\$ 120,294
-	-	2,904
-	30,716	30,716
-	132,092	737,268
-	71,123	71,123
8,204	26,413	34,617
-	238,706	238,706
\$ 8,204	\$ 499,050	\$ 1,235,628
\$ -	\$ -	\$ 998
-	-	442,100
13,830	-	13,830
-	1,997,440	1,997,440
\$ 13,830	\$ 1,997,440	\$ 2,454,368
\$ (5,626)	\$ (1,498,390)	\$ (1,218,740)
\$ -	\$ 1,340,000	\$ 1,340,000
5,626	40,000	45,626
-	-	(188,500)
\$ 5,626	\$ 1,380,000	\$ 1,197,126
\$ -	\$ (118,390)	\$ (21,614)
-	170,428	333,137
\$ -	\$ 52,038	\$ 311,523
\$ -	\$ -	\$ -
-	-	259,485
-	52,038	52,038
\$ -	\$ 52,038	\$ 311,523

# CITY OF NORTH LIBERTY

## Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds - Capital Projects Funds

Year Ended June 30, 2006

	Street Capital Projects	Front Street Reconstruction	Cherry Street Reconstruction	TIF Projects
Receipts:				
Use of money and property:				
Interest on cash investments	\$ -	\$ -	\$ -	\$ -
Rent	-	-	-	-
Intergovernmental:				
Iowa Department of Economic Development	-	-	-	-
Iowa Department of Transportation	-	-	-	-
City of Coralville	410	-	-	-
Charges for service:				
Impact fees	-	-	-	-
Special assessments	-	8,630	1,224	-
Miscellaneous:				
Donations/contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	\$ 410	\$ 8,630	\$ 1,224	\$ -
Disbursements:				
Capital projects	189,939	-	-	19,944
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (189,529)</u>	<u>\$ 8,630</u>	<u>\$ 1,224</u>	<u>\$ (19,944)</u>
Other financing sources (uses):				
Proceeds from sales of general obligation bonds	\$ 342,000	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-
Total other financing sources (uses)	<u>\$ 342,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ 152,471	\$ 8,630	\$ 1,224	\$ (19,944)
Cash and cash investments, beginning of year	<u>102,383</u>	<u>-</u>	<u>-</u>	<u>(99,098)</u>
Cash and cash investments, end of year	<u><u>\$ 254,854</u></u>	<u><u>\$ 8,630</u></u>	<u><u>\$ 1,224</u></u>	<u><u>\$ (119,042)</u></u>
Cash basis fund balances:				
Unreserved - capital projects funds	<u><u>\$ 254,854</u></u>	<u><u>\$ 8,630</u></u>	<u><u>\$ 1,224</u></u>	<u><u>\$ (119,042)</u></u>

See independent auditor's report.

Community Center	Trail Projects	Penn Street Improvements	Entryway Development	Hwy. 965 Improvements	Economic Development Projects	Land and Facilities	Total
\$ 6,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,716
-	-	-	-	-	-	24,000	24,000
-	-	-	-	-	2,304	-	2,304
-	-	-	-	-	129,378	-	129,378
-	-	-	-	-	-	-	410
-	-	71,123	-	-	-	-	71,123
-	-	-	-	16,559	-	-	26,413
238,681	-	-	-	-	-	-	238,681
-	-	-	-	-	-	25	25
\$ 245,397	\$ -	\$ 71,123	\$ -	\$ 16,559	\$ 131,682	\$ 24,025	\$ 499,050
306,779	131,346	558,324	-	76,376	507,732	207,000	1,997,440
\$ (61,382)	\$ (131,346)	\$ (487,201)	\$ -	\$ (59,817)	\$ (376,050)	\$ (182,975)	\$ (1,498,390)
\$ -	\$ -	\$ 358,000	\$ -	\$ 640,000	\$ -	\$ -	\$ 1,340,000
-	-	-	-	-	40,000	-	40,000
\$ -	\$ -	\$ 358,000	\$ -	\$ 640,000	\$ 40,000	\$ -	\$ 1,380,000
\$ (61,382)	\$ (131,346)	\$ (129,201)	\$ -	\$ 580,183	\$ (336,050)	\$ (182,975)	\$ (118,390)
(34,016)	41,089	6,322	17,348	-	124,663	11,737	170,428
\$ (95,398)	\$ (90,257)	\$ (122,879)	\$ 17,348	\$ 580,183	\$ (211,387)	\$ (171,238)	\$ 52,038
\$ (95,398)	\$ (90,257)	\$ (122,879)	\$ 17,348	\$ 580,183	\$ (211,387)	\$ (171,238)	\$ 52,038



**CITY OF NORTH LIBERTY**

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Proprietary Funds - Water and Sewer Enterprise

Year Ended June 30, 2006

	Water Enterprise				
	Water Operating	Water Revenue Sinking	Water Reserve	Water Utilities- Capital Reserve	Water Capital Projects
Operating receipts:					
Charges for service	\$ 1,235,574	\$ -	\$ -	\$ 12,285	\$ -
Miscellaneous	20,800	-	-	-	-
Total operating receipts	\$ 1,256,374	\$ -	\$ -	\$ 12,285	\$ -
Operating disbursements:					
Business type activities	680,327	-	-	76,779	104,124
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 576,047	\$ -	\$ -	\$ (64,494)	\$ (104,124)
Non-operating receipts and (disbursements):					
Interest on cash investments	\$ 5,322	\$ -	\$ -	\$ -	\$ -
Proceeds from sale of revenue bonds	-	-	-	-	-
Proceeds from sale of revenue anticipation notes	-	-	-	-	-
Debt service	-	(202,858)	-	-	-
Total non-operating receipts and (disbursements)	\$ 5,322	\$ (202,858)	\$ -	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 581,369	\$ (202,858)	\$ -	\$ (64,494)	\$ (104,124)
Operating transfers:					
Operating transfers in	\$ -	\$ 317,748	\$ -	\$ 69,815	\$ 45,000
Operating transfers (out)	(552,559)	-	-	(45,000)	-
Net operating transfers	\$ (552,559)	\$ 317,748	\$ -	\$ 24,815	\$ 45,000
Net change in cash balances	\$ 28,810	\$ 114,890	\$ -	\$ (39,679)	\$ (59,124)
Cash and cash investments, beginning of year	110,024	36,119	222,913	187,813	(54,000)
Cash and cash investments, end of year	\$ 138,834	\$ 151,009	\$ 222,913	\$ 148,134	\$ (113,124)
Cash basis fund balances:					
Reserved - debt service	\$ -	\$ 151,009	\$ 222,913	\$ -	\$ -
Unreserved:					
Capital projects	-	-	-	-	(113,124)
Unreserved	138,834	-	-	148,134	-
	\$ 138,834	\$ 151,009	\$ 222,913	\$ 148,134	\$ (113,124)

See independent auditor's report.

	Sewer Enterprise						
	Sewer Operating	Sewer Reserve	Sewer Revenue Sinking	Sewer Rental - Capital Reserve	Sewer Capital Projects		Total
Total							
\$ 1,247,859 20,800	\$ 1,128,469 1,000	\$ - -	\$ - -	\$ 91,584 -	\$ - -	\$	\$ 1,220,053 1,000
\$ 1,268,659	\$ 1,129,469	\$ -	\$ -	\$ 91,584	\$ -	\$	\$ 1,221,053
861,230	317,904	-	-	130,837	1,058,979		1,507,720
-							
-							
\$ 407,429	\$ 811,565	\$ -	\$ -	\$ (39,253)	\$ (1,058,979)	\$	\$ (286,667)
\$ 5,322	\$ 4,999	\$ -	\$ -	\$ -	\$ -	\$	\$ 4,999
-	-	151,598	2,681	-	969,265		1,123,544
-	-	-	-	-	122,374		122,374
(202,858)	-	-	(336,749)	-	-		(336,749)
\$ (197,536)	\$ 4,999	\$ 151,598	\$ (334,068)	\$ -	\$ 1,091,639	\$	\$ 914,168
\$ 209,893	\$ 816,564	\$ 151,598	\$ (334,068)	\$ (39,253)	\$ 32,660	\$	\$ 627,501
\$ 432,563 (597,559)	\$ - (661,776)	\$ - -	\$ 504,276 -	\$ 22,500 -	\$ - -	\$	\$ 526,776 (661,776)
\$ (164,996)	\$ (661,776)	\$ -	\$ 504,276	\$ 22,500	\$ -	\$	\$ (135,000)
\$ 44,897	\$ 154,788	\$ 151,598	\$ 170,208	\$ (16,753)	\$ 32,660	\$	\$ 492,501
502,869	103,022	-	147,545	151,389	(50,224)		351,732
\$ 547,766	\$ 257,810	\$ 151,598	\$ 317,753	\$ 134,636	\$ (17,564)	\$	\$ 844,233
\$ 373,922	\$ -	\$ 151,598	\$ 317,753	\$ -	\$ -	\$	\$ 469,351
(113,124)	-	-	-	-	(17,564)		(17,564)
286,968	257,810	-	-	134,636	-		392,446
\$ 547,766	\$ 257,810	\$ 151,598	\$ 317,753	\$ 134,636	\$ (17,564)	\$	\$ 844,233

## CITY OF NORTH LIBERTY

Schedule 5Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Nonmajor Proprietary Funds

Year Ended June 30, 2006

	Enterprise Funds		
	Utility Deposits	Stormwater Management	Total
Operating receipts:			
Charges for service	\$ -	\$ 105,092	\$ 105,092
Miscellaneous	73,045	-	73,045
Total operating receipts	\$ 73,045	\$ 105,092	\$ 178,137
Operating disbursements:			
Business type activities	42,279	28,110	70,389
Excess of operating receipts over operating disbursements	\$ 30,766	\$ 76,982	\$ 107,748
Operating transfers:			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers (out)	-	(25,000)	(25,000)
Net operating transfers	\$ -	\$ (25,000)	\$ (25,000)
Net change in cash balances	\$ 30,766	\$ 51,982	\$ 82,748
Cash and cash investments, beginning of year	176,053	7,821	183,874
Cash and cash investments, end of year	\$ 206,819	\$ 59,803	\$ 266,622
Cash basis fund balances:			
Unreserved - unreserved	\$ 206,819	\$ 59,803	\$ 266,622

See accompanying independent auditor's report.



# CITY OF NORTH LIBERTY

## Statement of Indebtedness

Year Ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Used
General Obligation Notes:			
Loan Agreement Anticipation	4/26/05	2.60 %	\$ 1,500,000
Equipment Acquisition Note	5/19/06	3.45	225,000
General Obligation Bonds:			
General Obligation Community Center	4/1/96	4.00-5.00	600,000
General Obligation Sewer Improvement	1/1/98	3.92	1,000,000
Corporate Purpose	6/1/00	5.25-5.50	3,065,000
Urban Renewal Corporate Purpose	5/1/01	3.30-4.35	1,600,000
Urban Renewal Corporate Purpose	8/15/02	2.25-3.60	2,700,000
Corporate Purpose	9/1/03	3.40-4.50	4,200,000
General Obligation Refunding Series 2003	9/1/03	1.00-1.80	905,000
Urban Renewal Corporate Purpose	8/15/04	2.10-3.60	1,560,000
Urban Renewal Corporate Purpose	11/9/05	3.45	3,500,000
Total			
Special Assessment Notes:			
Street Improvement	8/17/00	5.15	110,000
Revenue Notes:			
Sewer Revenue Refunding	4/1/89	4.45	222,504
Loan Agreement Anticipation	4/26/05	2.60	700,000
Total			
Revenue Bonds:			
Sewer Revenue Bond Series 1999A	3/23/98	3.92	323,957
Sewer Revenue Bond Series 1999B	3/23/98	3.92	4,248,043
Water Revenue Bond Series 2001	9/1/01	3.00-5.30	2,000,000
Water Revenue Refunding Series 2003	9/1/03	1.30-3.50	600,000
Sewer Revenue Bond Series 2006A	4/15/06	4.05-4.55	1,860,000
Total			

See accompanying independent auditor's report.

## Schedule 6

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 297,788	\$ 297,788	\$ -	\$ 1,477	\$ -
-	225,000	-	225,000	-	-
\$ -	\$ 522,788	\$ 297,788	\$ 225,000	\$ 1,477	\$ -
-	-	-	-	-	-
\$ 390,000	\$ -	\$ 30,000	\$ 360,000	\$ 18,987	\$ -
734,000	-	44,000	690,000	27,910	-
1,720,000	-	310,000	1,410,000	93,123	-
1,045,000	-	155,000	890,000	43,325	-
2,325,000	-	125,000	2,200,000	74,847	-
3,960,000	-	110,000	3,850,000	160,055	-
305,000	-	305,000	-	5,490	-
1,415,000	-	140,000	1,275,000	41,993	-
-	3,500,000	100,000	3,400,000	67,883	-
\$ 11,894,000	\$ 3,500,000	\$ 1,319,000	\$ 14,075,000	\$ 533,613	\$ -
\$ 55,000	\$ -	\$ 11,000	\$ 44,000	\$ 2,830	\$ -
\$ 40,000	\$ -	\$ 20,000	\$ 20,000	\$ 1,780	\$ -
577,626	122,374	700,000	-	14,958	-
\$ 617,626	\$ 122,374	\$ 720,000	\$ 20,000	\$ 16,738	\$ -
\$ 256,000	\$ -	\$ 14,000	\$ 242,000	\$ 9,761	\$ -
2,895,000	-	159,000	2,736,000	110,368	-
1,930,000	-	20,000	1,910,000	95,772	-
440,000	-	80,000	360,000	12,971	-
-	1,860,000	-	1,860,000	-	-
\$ 5,521,000	\$ 1,860,000	\$ 273,000	\$ 7,108,000	\$ 228,872	\$ -

## CITY OF NORTH LIBERTY

## Bond and Note Maturities

(Page 1 of 2)

Year Ended June 30, 2006

Year Ending June 30	General Obligation Notes and Bonds					
	Corporate Purpose		Corporate Purpose		Equipment Acquisition	
	Issued June 1, 2000		Issued Sept. 1, 2003		Issued May 19, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5.35 %	\$ 325,000	3.40 %	\$ 145,000	3.45 %	\$ 75,000
2008	5.40	345,000	3.40	170,000	3.45	75,000
2009	5.45	360,000	3.40	185,000	3.45	75,000
2010	5.50	380,000	3.50	200,000		
2011			3.90	205,000		
2012			3.90	220,000		
2013			3.90	235,000		
2014			3.90	210,000		
2015			4.00	215,000		
2016			4.10	220,000		
2017			4.15	225,000		
2018			4.25	230,000		
2019			4.35	240,000		
2020			4.40	250,000		
2021			4.45	275,000		
2022			4.45	300,000		
2023			4.50	325,000		
Total		<u>\$ 1,410,000</u>		<u>\$ 3,850,000</u>		<u>\$ 225,000</u>

Year Ending June 30,	General Obligation Notes and Bonds					
	Sewer Improvement		Corporate Purpose		Corporate Purpose	
	Issued Jan. 6, 1998		Issued May 1, 2001		Issued Aug. 15, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	3.92 %	\$ 46,000	4.00 %	\$ 165,000	2.30 %	\$ 145,000
2008	3.92	48,000	4.10	170,000	2.55	145,000
2009	3.92	50,000	4.20	175,000	2.75	150,000
2010	3.92	52,000	4.30	185,000	3.00	155,000
2011	3.92	54,000	4.35	195,000	3.25	160,000
2012	3.92	56,000			3.35	165,000
2013	3.92	58,000			3.45	175,000
2014	3.92	60,000			3.60	180,000
2015	3.92	63,000				
2016	3.92	65,000				
2017	3.92	68,000				
2018	3.92	70,000				
2019						
2020						
2021						
2022						
2023						
Total		<u>\$ 690,000</u>		<u>\$ 890,000</u>		<u>\$ 1,275,000</u>



Community Center Issued April 1, 1996			Corporate Purpose Issued Aug. 15, 2002			Corporate Purpose Issued Nov. 9, 2005		
Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount	
4.80 %	\$	30,000	2.75 %	\$	335,000	3.45 %	\$	200,000
4.80		35,000	3.00		345,000	3.45		300,000
4.80		35,000	3.20		355,000	3.45		370,000
4.85		40,000	3.40		375,000	3.45		385,000
4.85		40,000	3.50		390,000	3.45		400,000
4.875		40,000	3.60		400,000	3.45		410,000
4.90		45,000				3.45		430,000
4.95		45,000				3.45		445,000
5.00		50,000				3.50		460,000
<u>\$ 360,000</u>			<u>\$ 2,200,000</u>			<u>\$ 3,400,000</u>		
			Special Assessment Notes					
			Street Improvement Issued Aug. 17, 2000					
Total			Year Ending June 30,	Interest Rates	Amount			
\$	1,466,000		2007	5.15 %	\$	11,000		
	1,633,000		2008	5.15		11,000		
	1,755,000		2009	5.15		11,000		
	1,772,000		2010	5.15		11,000		
	1,444,000							
	1,291,000		Total		\$	44,000		
	943,000							
	940,000							
	788,000							
	285,000							
	293,000							
	300,000							
	240,000							
	250,000							
	275,000							
	300,000							
	325,000							
\$	14,300,000							

CITY OF NORTH LIBERTY

Bond and Note Maturities  
(Page 2 of 2)  
Year Ended June 30, 2006

Year Ending June 30,	Sewer Revenue Refunding		Water Revenue Refunding		Enterprise Fund Water Revenue Series 2001	
	Issued April 1, 1989		Issued Sept. 1, 2003		Issued Sept. 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	4.45 %	\$ 20,000	2.625 %	\$ 85,000	4.00 %	\$ 20,000
2008			3.00	85,000	4.15	25,000
2009			3.30	90,000	4.25	25,000
2010			3.50	100,000	4.40	25,000
2011					4.50	130,000
2012					4.65	135,000
2013					4.75	140,000
2014					4.85	145,000
2015					4.95	155,000
2016					5.05	160,000
2017					5.10	170,000
2018					5.15	180,000
2019					5.20	190,000
2020					5.25	200,000
2021					5.30	210,000
2022						
2023						
2024						
2025						
Total		<u>\$ 20,000</u>		<u>\$ 360,000</u>		<u>\$ 1,910,000</u>

See accompanying independent auditor's report.

## Revenue Notes and Bonds

Sewer Revenue Series 1998A Issued March 23, 1998			Sewer Revenue Series 1998B Issued March 23, 1998			Sewer Revenue Series 2006A Issued April 15, 2006		
Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount	Total
3.92 %	\$ 14,000		3.92 %	\$ 165,000		4.05 %	\$ 50,000	\$ 354,000
3.92	15,000		3.92	172,000		4.20	70,000	367,000
3.92	15,000		3.92	179,000		4.25	70,000	379,000
3.92	16,000		3.92	186,000		4.25	75,000	402,000
3.92	17,000		3.92	193,000		4.25	75,000	415,000
3.92	18,000		3.92	200,000		4.25	80,000	433,000
3.92	18,000		3.92	208,000		4.25	85,000	451,000
3.92	19,000		3.92	217,000		4.25	85,000	466,000
3.92	20,000		3.92	225,000		4.25	90,000	490,000
3.92	21,000		3.92	234,000		4.25	95,000	510,000
3.92	22,000		3.92	243,000		4.25	100,000	535,000
3.92	23,000		3.92	252,000		4.30	105,000	560,000
3.92	24,000		3.92	262,000		4.30	110,000	586,000
						4.30	115,000	315,000
						4.35	120,000	330,000
						4.40	125,000	125,000
						4.45	130,000	130,000
						4.50	135,000	135,000
						4.55	145,000	145,000
	<u>\$ 242,000</u>			<u>\$ 2,736,000</u>			<u>\$ 1,860,000</u>	<u>\$ 7,128,000</u>



## CITY OF NORTH LIBERTY

## Schedule 8

Schedule of Receipts By Source and Disbursements By Function -  
All Government Funds

	Years Ended June 30,				
	2006	2005	2004	2003	2002
Receipts:					
Property tax	\$ 1,905,108	\$ 1,582,974	\$ 1,355,034	\$ 1,050,948	\$ 908,944
Tax increment financing	1,360,008	1,116,247	1,290,281	1,001,279	991,905
Other city tax	135,396	130,557	126,764	117,007	105,903
Licenses and permits	625,439	656,054	579,106	363,961	190,821
Use of money and property	204,647	129,302	108,371	91,744	89,371
Intergovernmental	1,294,642	1,551,835	1,290,726	690,750	1,153,918
Charges for services	1,147,998	995,289	872,863	482,897	481,950
Special assessments	34,617	31,421	67,770	38,107	197,675
Miscellaneous	392,867	364,586	407,370	240,577	193,885
Total	<u>\$ 7,100,722</u>	<u>\$ 6,558,265</u>	<u>\$ 6,098,285</u>	<u>\$ 4,077,270</u>	<u>\$ 4,314,372</u>
Disbursements:					
Public safety	\$ 881,885	\$ 752,220	\$ 902,800	\$ 962,346	\$ 501,835
Public works	1,025,863	636,329	593,601	545,818	520,998
Health and social services	34,500	21,000	21,000	21,000	24,867
Culture and recreation	1,680,594	1,650,909	990,473	872,066	816,995
Community and economic development	325,306	249,352	200,518	125,461	202,433
General government	541,943	452,215	447,623	436,888	369,773
Debt service	2,877,794	1,636,989	2,455,627	1,388,454	1,128,794
Capital projects	4,510,561	2,669,922	5,773,910	1,871,426	1,773,501
Total	<u>\$ 11,878,446</u>	<u>\$ 8,068,936</u>	<u>\$ 11,385,552</u>	<u>\$ 6,223,459</u>	<u>\$ 5,339,196</u>

See accompanying independent auditor's report.



**Greenwood and Crim, P.C.**  
Certified Public Accountants

Linda Crim Hopkins, C.P.A.  
Steven J. Kuhl, C.P.A.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of North Liberty  
North Liberty, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of North Liberty as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 15, 2006. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of North Liberty's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of North Liberty's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance and other matters that are described in Part II of the accompanying Schedule of Findings.



Comments involving statutory and other legal matters about the City of North Liberty's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures during our audit of the financial statements of the City of North Liberty. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those audits.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of North Liberty and other parties to whom the City of North Liberty may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Greenwood and Crim, P.C.*

December 15, 2006



CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no matters which were required to be reported in accordance with *Government Auditing Standards*.

REPORTABLE CONDITIONS:

There were no material weaknesses noted which were required to be reported in accordance with *Government Auditing Standards*.

Part II. Other Findings Related to Required Statutory Reporting:

- 06-II-A **Certified Budget** - Disbursements during the year ended June 30, 2006, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

**Recommendation** - The budget should have been amended in sufficient amounts in accordance with Chapter 384.20 of the Code of Iowa.

**Response** - The budget will be amended in sufficient amounts in the future.

**Conclusion** - Response accepted.

- 06-II-B **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 06-II-C **Travel Expenses** - We noted that the City paid mileage reimbursements in excess of the maximum allowable rate during the months of January 2006 through June 2006.

**Recommendation** - The City's policy is to pay mileage reimbursements at the prevailing business mileage rate set by the Internal Revenue Service. The rate should be checked periodically to ensure employees are paid the correct amount.

**Response** - Mileage reimbursement rates will be monitored more frequently.

**Conclusion** - Response accepted.

- 06-II-D **Business Transactions with City Officials and Employees** - We noted no transactions between the City and City officials or employees during the year ended June 30, 2006.

- 06-II-E **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

## CITY OF NORTH LIBERTY

### Schedule of Findings

Year Ended June 30, 2006

#### Part II: Other Findings Related to Required Statutory Reporting: (Continued)

06-II-F **Council Minutes** - We noted no transactions requiring Council approval which had not been approved by the Council. We noted that the minutes of the Council meetings were published within 15 days in accordance with Chapter 372.13(6) of the Code of Iowa.

06-II-G **Deposits and Investments** - The following matters were noted relating to the City's deposits and investments:

a) **Comment** - We noted that the City's investment policy was amended and updated on February 14, 2006. References to Iowa Code Chapters are now current and the policy is in compliance with the Code of Iowa.

b) **Comment** - The City opened a checking account at a local credit union prior to the City Council's approval of a resolution authorizing the City to invest funds in that credit union.

**Recommendation** - The City should not open any accounts in a bank or credit union until the Council has given approval to do business with the bank or credit union.

**Response** - We will make sure that any accounts at a new bank or credit union are not opened until the City Council has given its approval.

**Conclusion** - Response accepted.

c) **Comment** - The maximum depository amount at Hills Bank and Trust Company was regularly exceeded from April 27, 2006 through May 1, 2006.

**Recommendation** - The City should monitor its amounts in banks when there is a sale of bonds or other event that will result in a transaction of a significant amount in order to ensure that the maximum authorized deposit amounts are not exceeded. The sale of the 2006 sewer revenue bonds, along with a collection of a significant amount of property taxes in April 2006 resulted in the maximum depository amount being exceeded.

**Response** - We will monitor the City's bank balances before a significant transaction occurs to determine if some cash should be transferred to another bank.

**Conclusion** - Response accepted.

d) **Comment** - We noted that interest income from the four certificates of deposit at US Bank was not booked during the year.

**Recommendation** - The interest on the certificates should be booked when it is reinvested. The City should also request the bank provide adequate information pertaining to the reinvestment of interest income.

**Response** - We have asked the bank to provide the monthly balances to us because we were not getting any notices of the interest being reinvested and we were not receiving any balance information from the bank.

**Conclusion** - Response accepted.



## CITY OF NORTH LIBERTY

### Schedule of Findings

Year Ended June 30, 2006

#### Part II: Other Findings Related to Required Statutory Reporting: (Continued)

##### 06-II-G Deposits and Investments (Continued)

- e) **Comment** - The City authorized the investment of \$5,000 in the Community Foundation of Johnson County (Foundation) during the year ended June 30, 2005 to establish an endowment fund for the North Liberty Community Library, as described in Note 2. The investment is pooled in the Foundation's investment portfolio and is covered by a pool of U.S. governmental bonds, which appears to comply with the City's investment policy. However, the value of the City's investment is still subject to the Foundation's overall investment performance, and the Foundation has investments in several mutual funds that do not comply with the City's investment policy. Accordingly, the City's value of its investment is subject to the market value change of all of the Foundation's investments.

**Recommendation** - We recommend that the City work with the Foundation to determine if the investment can be invested in a security which complies with the City's investment policy and will not be subject to valuation based on the Foundation's investment valuation policy.

**Response** - We will review investment options with the Foundation to determine if the City's investment can be invested in a security which complies with the City's investment policy and which does not subject the City to the overall market value risk for valuation.

**Conclusion** - Response accepted.

##### 06-II-H Revenue Notes and Bonds - No violations of the revenue note and bond resolution requirements were noted.

**Comment** - The December 1, 2005 interest payment on the 2003 water revenue refunding bond was charged to the Debt Service Fund instead of the Water Enterprise Fund - Water Revenue Sinking Fund.

**Recommendation** - A transfer of \$6,485.63 should be made to the Debt Service Fund from the Water Enterprise Fund - Water Revenue Sinking Fund for the interest erroneously charged to the Debt Service Fund.

**Response** - We will make a transfer to correct the incorrect interest charge to the Debt Service Fund. We will also monitor the principal and interest payments of all bond and note issues to determine if they have been paid from the proper fund and posted to the correct accounts.

**Conclusion** - Response accepted.



# CITY OF NORTH LIBERTY

## Schedule of Findings

Year Ended June 30, 2006

### Part II: Other Findings Related to Required Statutory Reporting: (Continued)

06-II-I **Financial Condition** - At June 30, 2006, the City had deficit balances in the following funds:

Debt Service Fund - General Obligation Debt	\$ 445,073
Capital Projects - Community Center	95,398
Capital Projects - TIF Projects	119,042
Capital Projects - Liberty Centre	60,163
Capital Projects - Trail Projects	90,257
Capital Projects - Land and Facilities	171,238
Capital Projects - Economic Development Projects	211,387
Capital Projects - Penn St. Improvements	122,879
Water Enterprise - Water Capital Projects	113,124
Sewer Enterprise - Sewer Capital Projects	17,564

**Recommendation** - The City should make sure that there are adequate funds to cover these deficit balances. We realize that the costs of construction projects must be expended prior to the availability of certain funds.

**Response** - The deficit balance in the Debt Service Fund arose because the payment of the outstanding principal and interest of the General Obligation Loan Agreement Anticipation note was charged to the Debt Service Fund and there was no transfer from the proceeds of the November 2005 general obligation bond sale to cover the amount paid. Also, there was no levy of property taxes to cover the June 1, 2006 payment of principal and interest on the November 2005 general obligation bond. The deficit balance in the Capital Projects - TIF Projects Fund arose because the City was required to reimburse \$99,332 to the State of Iowa during the year ended June 30, 2004 due to Rudi's Bakery not creating the required minimum number of new jobs under two RISE grants. The City is pursuing collection of this amount from Rudi's Bakery but does not anticipate any significant recovery.

Deficit balances in the other funds noted above arose because construction costs were incurred prior to the availability of funds. These deficits will be eliminated with contributions from the general public, developer contributions, proceeds from sales of bonds, grants, and future tax increment financing collections.

**Conclusion** - Response accepted.

06-II-J **Outstanding Obligations Disclosure Statement** - We noted one error in reporting the amount of outstanding obligations at June 30, 2006. The November 2005 general obligation bond outstanding balance was reported as the amount of the bond issue instead of the balance at June 30, 2006.

**Recommendation** - The City should contact the State Treasurer's Office for disposition of this matter.

**Response** - We will contact the State Treasurer's Office to determine disposition of this matter.

**Conclusion** - Response accepted.

## CITY OF NORTH LIBERTY

### Schedule of Findings

Year Ended June 30, 2006

#### Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- 06-II-K **Payment of General Obligation Bonds** - Chapter 384.4 of the Code of Iowa states in part "Monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund". We noted that \$13,524 of general obligation bond interest of the General Obligation Sewer Improvement bond was paid from the Sewer Enterprise Fund - Sewer Reserve Sinking account during the year.

**Recommendation** - The City should transfer from the Sewer Enterprise Fund - Sewer Operating account to the Debt Service Fund - General Obligation Debt account for future payments of general obligation bond principal and interest. Payments of the bond principal and interest should then be disbursed from the Debt Service Fund.

**Response** - We will make the correct transfers in the future, as recommended, and will disburse the bond principal and interest payments from the Debt Service Fund.

**Conclusion** - Response accepted.

- 06-II-L **Payment of Expenditure Prior to Approval** - From our testing of cash disbursements we noted one payment which was made prior to approval by the Council.

**Recommendation** - All payments of expenditures should not be made until approved by the Council. We noted that the disbursement tested was not one that would not require approval by Council (i.e. payroll checks) prior to payment.

**Response** - We will make sure that all disbursements that require Council approval prior to payment are made only after the Council has approved payment.

**Conclusion** - Response accepted.

- 06-II-M **Payment of Compensation** - From our tests of cash disbursements we noted a City employee was paid as an independent contractor for services as a referee for a Recreation Center basketball league.

**Recommendation** - City employees that perform other functions not in the normal course of their regular jobs should be paid a wage and the appropriate amount of social security, medicare, IPERS and income taxes withheld. We do not believe that City employees qualify as independent contractors under the circumstances present.

**Response** - City employees that perform other functions not part of their regular job duties will be paid as employees and not as independent contractors.

**Conclusion** - Response accepted.



CITY OF NORTH LIBERTY

Schedule of Findings

Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

06-II-N **Annual Financial Report** - We noted the following differences or uncompleted items from the published 2006 Financial Report:

- The budget amounts for the year were not included in the publication.
- All capital project expenditures were included in the total expenditures of the budget function the projects relate to instead of all being included in the budget function line for capital projects.
- The amount of cash at June 30, 2006 was overstated by approximately \$67,000.
- The amounts in the table "Indebtedness at June 30, 2006" do not include other outstanding City bonds and notes totaling approximately \$4,655,000.
- The published copy of the report does not contain the City Clerk's signature, and the "Date Published" box is not checked.

**Recommendation** - The City should consult with its legal counsel and with the State Auditor's Office for disposition of this matter, including the possibility of filing a corrected report.

**Response** - We will consult with our legal counsel about this matter. We will contact the State Auditor's Office to determine if a corrected report should be filed.

**Conclusion** - Response accepted.